

# **ANNUAL REPORT**

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## **1999-2000**



Alcohol and Gaming Commission of Ontario

# **AGCO**

Alcohol and Gaming  
Commission of Ontario

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**MEMORANDUM TO:** The Honourable Robert E. Runciman, MPP Minister  
Ministry of Consumer and Commercial Relations

**FROM:** Ian D.C. McPhail, Q.C.  
Chair  
Alcohol and Gaming Commission of Ontario

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I am pleased to present for your review, the Alcohol and Gaming Commission of Ontario's 1999-2000 Annual Report.

A handwritten signature in black ink, appearing to read "Ian D.C. McPhail".

Ian D.C. McPhail, Q.C.  
Chair

## Table of Contents

	Page
Message from the Chair .....	3
Message from the Chief Executive Officer .....	4
Alcohol and Gaming Commission of Ontario .....	5
Background .....	5
AGCO Vision .....	5
AGCO Mandate .....	6
Mission Statement .....	6
Key Activities .....	7
Organizational Chart .....	8
AGCO Board of Directors .....	9
1999-2000 Operational Overview .....	10
Licensing & Registration .....	10
Investigation, Enforcement and Compliance .....	12
Operational Efficiencies and other Highlights .....	13
Legal .....	15
Performance Measures .....	16
Program Delivery .....	17
<b>Appendices:</b>	
Gaming: Legal Framework .....	22
Criminal Code of Canada .....	22
<i>Gaming Control Act, 1992</i> .....	23
Order-in-Council 2688/93 .....	23
Authority for Lottery Licensing .....	24
Types of Gaming Registrations .....	25
Ontario Gaming Relationship Chart .....	27
Alcohol: Legal Framework .....	28
<i>Liquor Licence Act</i> .....	28
Types of Liquor Licences .....	29
<i>Wine Content Act</i> .....	30
Financial Information: Fiscal year 1999-2000 .....	31

# Message From The Chair

It is a pleasure for me to present the 1999/2000 fiscal year Annual Report for the Alcohol and Gaming Commission of Ontario (AGCO).

Since my appointment as Chair took place at the end of the reporting period, the report reflects the activities carried out under the leadership of my predecessor, Clare Lewis Q.C.

The past year was a very busy and productive time for the Board of Directors of the Commission, our Chief Executive Officer, Duncan Brown and all of the employees at the AGCO.

The collective efforts by the staff working in co-operation with our client base of licensees and the stakeholders in the liquor and gaming industries has provided a solid base on which we can build upon in the future.

My first priority is to ensure that the people of Ontario have continuing confidence in the provision of fair, but rigorous, regulatory regimes. Our regulatory regime is dedicated to promoting moderation and responsible use of beverage alcohol, and an honest gaming environment operated with utmost integrity. The people of Ontario, our most important stakeholders, expect no less.

We look forward to co-operating with our alcohol and gaming stakeholders to strengthen an already positive relationship. We want to encourage responsible gaming and alcohol consumption while keeping in mind the legitimate need to promote business opportunities and economic development.

Customer service will take on an increased focus as we continue to streamline our operations. We will expand our technology-driven electronic databases, promote more extensive staff training and launch a comprehensive AGCO Internet website.

Our website will be available in both English and French. It will provide to clients and the public timely and accessible information about the alcohol and gaming policies administered by the AGCO. Users will also have the opportunity and convenience of downloading all of the AGCO's registration and licensing forms, with easy to understand instructions for completion.

Website users will have online access to publications, annual reports and newsletters of the AGCO.

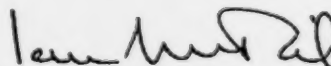
We are now exploring methods that would allow for the electronic filing of registration and licensing applications and to introduce further innovations to improve our customer service through the Internet.

We expect, to have transferred to the AGCO from the Liquor Control Board of Ontario (LCBO), a number of responsibilities that are regulatory in nature.

Fair and responsible administration of liquor and gaming legislation and regulations, increased operational efficiencies, and more focus on customer service and stakeholder relations will be the key objectives of the AGCO over the coming months and years.

With a dedicated and knowledgeable staff, we are well prepared to meet these commitments.

I look forward to working and co-operating with all of our client groups and other interested parties to accomplish these goals for the future.



Ian D. C. McPhail Q.C.  
Chair

# Message From The Chief Executive Officer

The past fiscal year has been marked with an extraordinary flurry of activity as we strove to keep pace with the rapid growth and change within the gaming and alcohol sectors.

Along with many new initiatives, much of our workload and attention over the past twelve months was directed to completing the implementation of the 1998 merger of the Liquor Licence Board of Ontario and the Gaming Control Commission into the now Alcohol and Gaming Commission of Ontario.

This meant substantial resources needed to be allocated to new financial and administrative procedures, staff training and additional information technology strategies. Of great significance was negotiating a first collective agreement with a bargaining agent.

At the same time as all of these activities were underway, we were able to maintain a high level of service in the areas of registration, licensing, and inspections and enforcement.

During the course of the year we carried out our regulatory oversight relating to the opening up of Ontario charity casinos in Sault Ste. Marie and Brantford as well as eight (8) slot machine facilities at Ontario racetracks.

The Ontario government also gave us the responsibility for implementing a licensing and regulatory regime for brew-on-premise operations.

Because competition for the entertainment dollar is increasing dramatically, and this is especially true within and between the different gaming sectors, we are co-operating with our stakeholders in a review of the regulatory framework around bingo lotteries. A consultation process is underway. The consultation process is aimed at examining the current terms and conditions and seeking ideas and recommendations that will allow the charitable gaming sector to have a greater opportunity to compete successfully on a more level playing field in the future.

On another front, in an effort to enhance the effectiveness of our enforcement activities, I have announced the Commission's Inspections Branch would be integrated with the Enforcement Branch to create an Investigation and Enforcement Bureau.

This operational change will consolidate these resources under a unified management structure and make for better co-ordination with other provincial and local agencies in our ongoing effort to clean up illegal activities at licensed premises.

Overall, many changes have taken place within the liquor and gaming industries over the past decade. It has been our responsibility to monitor and keep pace with this changing environment.

We have attempted to ensure that while the growth of these sectors is very rapid, the regulatory regimes and administrative practices that are necessary to promote moderation and responsible use of beverage alcohol, and to ensure honesty and integrity in the gaming business, are both fair and enforceable.

The management and staff at the AGCO will continue to strike a balance between the public duty of regulatory enforcement, and our stakeholders' needs for the opportunity to pursue legitimate business opportunities and development.



**Duncan Brown**  
Chief Executive Officer

# AGCO

Alcohol and Gaming Commission of Ontario

## Chair:

Mr. Ian D.C. McPhail, Q.C.

## Chief Executive Officer:

Mr. Duncan Brown

The Alcohol and Gaming Commission of Ontario (AGCO) is a Provincial agency that was established February 23, 1998 under the *Alcohol and Gaming Regulation and Public Protection Act, 1996*. The Act gave the AGCO responsibility for the administration of the *Liquor Licence Act* and the *Gaming Control Act, 1992*. Complementary legislative amendments eliminated the Gaming Control Commission and the Liquor Licence Board of Ontario.

The AGCO is a quasi-judicial regulatory agency that reports to the Minister of Consumer and Commercial Relations.

## Background:

### Liquor Licence Board of Ontario:

Established in 1947 under the *Liquor Licence Act*, the Liquor Licence Board of Ontario was responsible for regulating the sale, service and consumption of beverage alcohol in Ontario to promote moderation and responsible use.

### Gaming Control Commission ("GCC"):

The GCC was established under the *Gaming Control Act* in 1994. The GCC was responsible for the regulation of charitable and casino gaming; and ensuring that those people and companies involved in casino and charitable gaming satisfy high standards of honesty, integrity and financial responsibility, and that games of chance are conducted fairly.

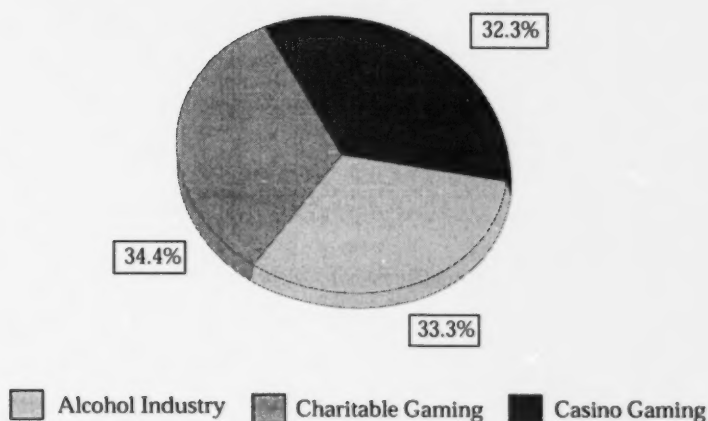
## AGCO Vision:

To ensure the honesty, integrity and social responsibility of the alcohol and gaming industries through effective regulations which are fair, responsive and in the public interest.

The Alcohol and Gaming Commission of Ontario is responsible for the administration of the *Liquor Licence Act*, *Gaming Control Act, 1992*, *Wine Content Act*, and charity lottery licensing Order-in-Council 2688/93.

### AGCO Client Base\*

1999/2000



\* Based on number of Licensees/Registrants

## AGCO Mandate:

- ◇ To regulate the sale, service, and consumption of beverage alcohol to promote moderation and responsible use; and
- ◇ To ensure that casino and charitable gaming is conducted in the public interest, by people with integrity, and in a manner that is socially as well as financially responsible.

## Mission Statement:

- ◇ Promote a supportive business climate through clear rules, streamlined procedures, and options that allow for increased flexibility on the part of the industry.
- ◇ Ensure a balance between revenue-generation, economic growth and development, and critical regulatory controls.
- ◇ Emphasize front-line activities and make client service and satisfaction an integral part of operations.
- ◇ Ensure that fairness to all partners and stakeholders is a major consideration in the development, application and enforcement of programs, policies and procedures.

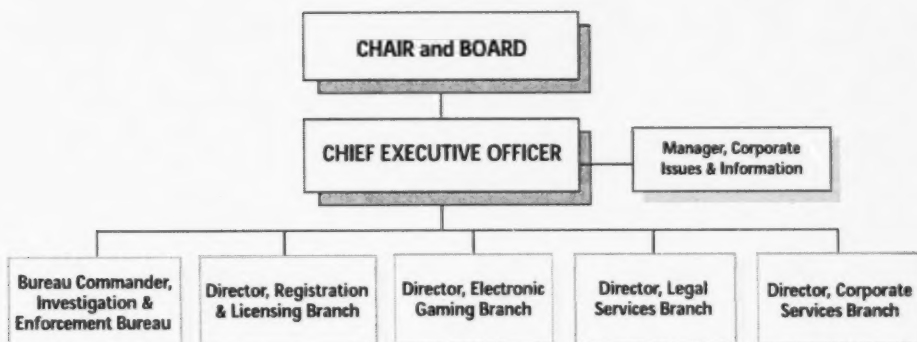
## Key Activities

- ❖ Licensing and regulating over 16,700 establishments that sell or serve beverage alcohol, as well as administering the Special Occasion Permit programme, delivered through approximately 260 designated LCBO stores.
- ❖ Licensing and regulating Ontario beverage alcohol manufacturers and their agents.
- ❖ Pre-approving beverage alcohol advertising.
- ❖ Inspecting and monitoring licensed establishments to ensure compliance with the *Liquor Licence Act* and Regulations.
- ❖ Conducting public hearings/meetings under the *Liquor Licence Act* and *Gaming Control Act*.
- ❖ Registering commercial suppliers and gaming employees of charitable gaming events, casinos, charity casinos, and slot machine facilities.
- ❖ Administering, in partnership with municipalities, the regulatory framework governing the issuance of an estimated 50,000 lottery licences per year.
- ❖ Licensing games of chance at fairs and exhibitions.
- ❖ Inspecting and monitoring casinos, charity casinos, slot machine facilities and charitable gaming events for compliance with statutory and licence requirements, including testing and approving slot machines and gaming systems.





# AGCO Organizational Chart



Head Office General Inquiries: (416) 326-8700 or 1-800-522-2876 toll free in Ontario

## AGCO REGIONAL OFFICES

AGCO provides services to its clients from Toronto and nine (9) regional offices



# AGCO Board of Directors

		Current	Term Expiry
<b>Ian McPhail, Q.C.</b>	<b>Chair</b> (Toronto) - Lawyer	May 2000	May 2003
<b>G.R. (Randy) Barber</b>	<b>Vice-Chair</b> (Thornhill) - Businessman, municipal councillor	Feb. 1997	Mar. 2003
<b>Elaine Kierans</b>	<b>Vice-Chair</b> (Toronto) - Lawyer bilingual	May 1998	May 2001
<b>Joel Kuchar</b>	<b>Vice-Chair</b> (Thornhill) - Lawyer	Feb. 1997	Mar. 2003
<b>John Rossetti</b>	<b>Vice-Chair</b> (Woodbridge) - Chartered Accountant	May 1996	Apr. 2002
<b>Stephanie Ball</b>	<b>Member</b> (Whitby) - Lawyer	Sept. 1997	Sept. 2003
<b>Anne Guillemette</b>	<b>Member</b> (Welland) - Hotel General Manager, bilingual	Mar. 1997	Mar. 2003
<b>Kirsti Hunt</b>	<b>Member</b> (Sudbury) - Educator, bilingual	Mar. 1997	Apr. 2003
<b>Breen Keenan</b>	<b>Member</b> (Sudbury) - Chartered Accountant	May 1999	May 2002
<b>Dr. Lynn Lightfoot</b>	<b>Member</b> (Oakville) - Psychologist, private practice, with emphasis on treatment of addiction	Feb. 1995	Feb. 2001
<b>William Liske</b>	<b>Member</b> (Brampton) - Lawyer	Aug. 1998	Aug. 2001
<b>Vaughan Minor</b>	<b>Member</b> (London) - Chartered Accountant	Apr. 1998	Apr. 2001
<b>Dr. Mark Poudrier</b>	<b>Member</b> (North Bay) - Educator	Feb. 1997	Mar. 2003
<b>Terence Young</b>	<b>Member</b> (Oakville) - President of a consulting firm specializing in public policy	Mar. 2000	Mar. 2003

# 1999-2000 Operational Overview

## Licensing and Registration

**Liquor Licensing and Permits:** During 1999-2000, the AGCO processed over 8,800 alcohol-related applications for licences. There was approximately a 15% decrease in applications issued for this period compared to the previous year. The decrease in licences issued is mainly due to a regulation change in November 1997 that extended liquor licence renewals from two (2) years to three (3) years.

<b>Liquor Licences Issued and Advertisements reviewed by AGCO for fiscal years 1998/99 and 1999/2000 (including Special Occasion Permits issued by the LCBO)</b>			
<b>For Fiscal Years</b>	<b>1998/99</b>	<b>1999/00</b>	<b>% Change</b>
New Liquor Licences	1,245	1,239	0%
Liquor Licence Transfers	1,608	1,632	1%
Liquor Licence Renewals	7,301	5,633	-23%
Manufacturer Applications (New/Renewals)	33	68	106%
Manufacturer Representatives (New/Renewals)	281	290	3%
<b>Total</b>	<b>10,468</b>	<b>8,862</b>	<b>-15%</b>
Alcohol Beverage Advertisements Reviewed	4,944	4,542	-8%
Special Occasion Permits Issued	73,326	72,075	-2%

**Lottery Licensing:** A total of 2,481 lottery licences were issued to eligible charitable or religious organizations to conduct and manage gaming events, including bingo, break open tickets and raffle events. There were 126 fewer licences issued compared to the previous year, representing a decline of 5%.

<b>Lottery Licences Issued by AGCO for fiscal years 1998/99 and 1999/2000*</b>			
<b>Events for Fiscal Years</b>	<b>1998/99</b>	<b>1999/00</b>	<b>% Change</b>
Bingo	152	156	3%
Break Open Ticket (BOT)	831	810	-3%
Provincial BOT	89	98	10%
Raffle	185	170	-8%
Social Gaming Events	181	125	-31%
Special (Monster) Bingo	159	196	23%
Super Jackpot	1,010	926	-8%
Other (i.e. merchandise bingo, wheel of fortune & bazaars)	6	6	-
<b>Total</b>	<b>2,613</b>	<b>2,487</b>	<b>-5%</b>

\* The majority of licences issued throughout the province are issued by over 600 municipalities.

**Gaming Registrations:** During 1999-2000, the AGCO processed over 36,000 applications for registration. There was an increase of over 7,300 applications during this period compared to the previous year, representing an increase of 26%. The increase of gaming registrations issued is due to the opening of the two new charity casinos and eight new slot machine facilities at racetracks.

<b>Gaming Registrations Issued by AGCO for fiscal years 1998/99 and 1999/2000</b>			
<b>For Fiscal Years</b>	<b>1998/99</b>	<b>1999/00</b>	<b>% Change</b>
<b>Charitable Gaming</b>			
Bingo Hall Owner or Operator	229	180	-21%
Gaming Service Supplier	146	57	-61%
Gaming Equipment Supplier	125	48	-62%
Gaming Equipment Manufacturer	25	5	-80%
Bingo Paper or BOT Manufacturer	9	1	-89%
Break Open Ticket Seller	9,277	7,294	-21%
Gaming Assistants:			
• Gaming Premises Manager	1,052	1,051	0%
• Gaming Service Employee	2,201	2,517	14%
• Bingo Caller	1,508	1,532	2%
• Croupier	1,072	965	-10%
<b>Sub - Total</b>	<b>15,644</b>	<b>13,650</b>	<b>-13%</b>
<b>Casinos, Charity Casinos &amp; Slot Machine Facilities</b>			
Casino Operator	3	3	0%
Gaming-Related Supplier	38	37	-3%
Non Gaming-Related Supplier	175	263	50%
Exemption from Non Gaming-Related Supplier	1,746	2,377	36%
Trade Union	1	1	0%
Gaming Employee	10,236	15,453	51%
Gaming Key Employee	944	1,958	107%
<b>Sub - Total</b>	<b>13,143</b>	<b>20,092</b>	<b>53%</b>
<b>Total Registrations Issued</b>	<b>28,787</b>	<b>36,142</b>	<b>26%</b>

# Investigation, Enforcement and Compliance

Although workload increased from the previous year, through enhanced business efficiencies, the AGCO maintained service levels and ensured regulatory oversight during the development and implementation of two charity casinos and eight slot machine facilities (slot machines at racetracks).

To ensure public confidence that Ontario's gaming facilities are operated with honesty and integrity, casinos, charity casinos and slot machine facilities are regulated by the Alcohol and Gaming Commission and subject to *Gaming Control Act, 1992* regulatory requirements. These requirements include registration of suppliers and employees, approval requirements for rules of play, gaming equipment, slot machines, chips and tokens, internal control systems, surveillance and security systems, credit, record keeping and recording of large cash transactions.

The AGCO has the responsibility to ensure that all gaming facilities, equipment and operations are in compliance with all the regulatory requirements prior to opening to the public. During 1999-2000, the following new gaming facilities met the regulatory requirements:

Racetracks	# of Slots		Location	Open to Public
Fort Erie Racetrack	1,200		Fort Erie	Sept. 11/99
Hiawatha Horse Park	450		Sarnia	May 10/99
Kawartha Downs Raceway	375		Peterborough	Nov. 24/99
Mohawk Raceway	750		Milton	Aug. 12/99
Rideau Carleton Raceway	1,250		Ottawa	Feb. 18/00
Sudbury Downs Raceway	325		Sudbury	Nov. 28/99
Western Fair	300		London	Sept. 30/99
Woodbine Raceway	1,700		Toronto	Mar. 29/00
Charity Casinos	# of Slots	# of Tables	Location	Open to Public
Brantford Charity Casino	450	45	Brantford	Nov. 19/99
Sault Ste. Marie Charity Casino	450	31	Sault Ste. Marie	May 23/99

Over 10,000 electronic gaming devices, including slot machines, were tested without disrupting day-to-day gaming facility operations or impeding revenue-generation. This is an increase of 40% from last year.

AGCO's Casino Enforcement Units investigated over 3,500 occurrences at the commercial casinos, charity casinos and slot machine facilities (slot operations at racetracks) during this fiscal year, in addition to assisting local police with non-gaming related investigations.

# Operational Efficiencies and Other Highlights

**T**he AGCO restructured its enforcement resources by integrating Inspections Branch into the Commission's Investigation and Enforcement Bureau. This new approach provides for better co-ordination with other provincial and local agencies and improves the focus of enforcement.

To enhance customer service levels, the AGCO opened another regional office in Sault Ste. Marie for a total of nine (9) regional offices located throughout the province. To maximize resource effectiveness on customer service levels throughout the province, regional offices are strategically located in close proximity to the larger gaming facilities where employees require registration under the *Gaming Control Act, 1992*.

Along with the *Gaming Control Act* regulation changes to establish a common regulatory structure for all gaming initiatives conducted and managed by the government, the associated registration fees were streamlined to provide for portability of employees between commercial casinos, charity casinos, and slot machine facilities. To simplify processes, the AGCO consolidated its non-gaming and gaming-related supplier forms and updated a number of existing forms.

The AGCO continues to communicate with its beverage alcohol stakeholder groups through its newsletter, "Licence Line" (circulated to 19,000 businesses and interested parties).

## Advance Funding Program

**O**n April 9, 1998, the government announced details of the Advance Funding Program to provide charities with access to funding until revenue from the charity casinos was available. The Advance Funding Program made available (one-time) \$40 million for distribution to eligible charities. Also, beginning in 1999, charities are guaranteed \$100 million each year through the Trillium Foundation.

The Alcohol and Gaming Commission had responsibility for conducting eligibility reviews of all charity applicants requesting funding from the Advance Funding Program. The Ontario Lottery and Gaming Corporation (OLGC) administered the program.

As of April 1, 1999, the AGCO received approximately 2,200 charity applications from municipalities and recommended to the OLGC allocation of approximately \$14.6 million. As of March, 2000, the AGCO received approximately 8,200 charity applications from municipalities and recommended to the OLGC allocation of approximately \$39 million.

## AGCO Training Unit

The AGCO has established, through its Investigation and Enforcement Bureau, a Training Unit responsible for providing gaming training to AGCO staff, and specialized cheat-at-play apprehension training to Bureau members and officials from other gaming jurisdictions across North America. The unit has two members of the OPP specialized and certified as trainers. These members also provide expert evidence for court cases and advice to AGCO staff and the Board on rules of play and casino games.

The training facility is equipped with gaming tables and a video surveillance system used to instruct in video taping requirements for court presentation. The unit, since opening, has provided over 130 training sessions on various table games, including Craps and Pai Gow Tiles.

## Bingo Review

At the request of our bingo stakeholders, the AGCO and the bingo industry have embarked on a process to look at how the regulatory framework for bingo can be changed to meet the challenges of the future. A working group has been established of charity and industry members to examine the existing framework under s. 207(1)(b) of the *Criminal Code of Canada* for ways to make bingo more viable and competitive with other forms of gaming.

## Brew-on-Premise Facilities

All brew-on-premise facilities operating in Ontario are required to apply to the AGCO for a licence. The licensing requirement of brew-on-premise facilities was established under the *Liquor Licence Amendment Act, 1998* (Bill 57), which was proclaimed March 30, 2000. In addition to ensuring a licensing process was in place prior to proclamation, staff of the AGCO held 13 seminars throughout the province. These seminars provided attendees with information on the AGCO, the *Liquor Licence Act* and Regulations as they pertain to brew-on-premise facilities, and the application process.

## First Nation Gaming

The AGCO has resources dedicated to liaise with First Nations organizations regarding gaming. To date, negotiations have concluded with 14 interested First Nations having been granted lottery licensing authority comparable to municipal governments in terms of game types and prize levels.

## Project Almonzo

As part of AGCO's focus on enforcement efforts involving illegal activities in licensed establishments, and to foster better co-ordination with other provincial and local agencies, the AGCO is a participant of Project Almonzo. Project Almonzo is a joint task force targeting illegal activity at licensed establishments. The joint task force includes AGCO seconded OPP officers, AGCO liquor inspectors, Metropolitan Toronto Police Services - Sexual Exploitation Squad, RCMP, the Federal Immigration Department, and Peel, Durham and York Regional Police. Since its inception, Project Almonzo has laid in excess of 700 charges.



# Legal

## ***Changes to Legislation....***

In 1999, the following two (2) amendments contained in the government's red tape bill affected the AGCO:

- ✧ *Red Tape Reduction Act, 1999* contained amendments to the *Liquor Licence Act* related to the ability to refuse to issue Special Occasion Permits or caterer's endorsements in specified circumstances; and
- ✧ *Red Tape Reduction Act, 1999* contained amendments to the *Gaming Control Act* to complement the April, 2000 merger of Ontario Lottery Corporation and Ontario Casino Corporation into Ontario Lottery and Gaming Corporation. These changes will continue to ensure delivery of regulated and responsible gaming in Ontario.
- ✧ Amendments in the *Liquor Licence Amendment Act* (i.e., for regulatory requirements of brew-on-premise facilities) were proclaimed in force March 30, 2000.

## ***Changes to Regulations...***

As part of the AGCO's continued review of regulations, recommendations were made to the Minister of Consumer and Commercial Relations for amendments to the *Liquor Licence Act* and *Gaming Control Act* and regulations. The following is a list of the highlights this fiscal year:

### ***Liquor Licence Act***

- ✧ amendment to permit sale and service of beverage alcohol to patrons for consumption in the tiered seating at concerts at Molson Amphitheatre (Ont. Reg. 252/99);
- ✧ amendment to rules related to "brew pubs" expanding sales opportunities of brew pub endorsees by permitting sale in another licensed premises and under their caterers' endorsement (Ont. Reg. 354/99); and
- ✧ regulation change to regulate operation of brew-on-premises facilities (Ont. Reg. 58/00).

### ***Gaming Control Act, 1992***

- ✧ amendments to consolidated regulations under *Gaming Control Act* for casinos, charity casinos and slot machine facilities (Ont. Reg. 385/99).
- ✧ amendments to Regulations 385/99, 197/95 and 68/44 resulting from passing of *Ontario Lottery and Gaming Corporation Act, 1999* (Ont. Reg. 208/00, Ont. Reg. 210/00 and Ont. Reg. 211/00).

### ***Alcohol and Gaming Regulation and Public Protection Act, 1996***

- ✧ Amendments to assign responsibilities for certain powers and duties under *Liquor Licence Act* (Ont. Reg. 209/00).



## PERFORMANCE MEASURES

**Outcome/Goal:** To protect the public interest in alcohol and gaming by promoting a fair, safe and informed marketplace.

Performance Measure	Target/Standards	1999/2000 Results
Percentage of charity gaming casinos with enhanced security and surveillance measures.	AGCO will ensure that appropriate staff approvals, security and surveillance are completed as charity casinos open and racetracks acquire slot machines.	100% of charity casinos and racetracks have enhanced security and surveillance measures in place.
Increased industry compliance with regulatory requirements.	AGCO will ensure that due diligence is performed in a manner that facilitates a timely opening of charity casinos and the acquisition of slot machines by racetracks.	AGCO completed, on average, 400 investigations of gaming suppliers and employees for every charity casino and racetrack facility the Ontario Lottery and Gaming Corporation (OLGC) opened.
Number of inspections of liquor licensed establishments and gaming venues to ensure compliance with respective regulatory requirements.	26,000 inspections annually.	24,800 inspections undertaken. <i>Note: Liquor inspection program revised near year end to focus enforcement on joint forces projects targeted at higher risk facilities and problem establishments identified in conjunction with local authorities. This type of approach may result in reduced inspections rates however it will help ensure that problem premises are dealt with promptly and affectively.</i>
Successful introduction of regime to regulate brew-on-premise establishments.	Introduce a regulatory process that gives effect to the <i>Liquor Licence Act</i> amendments (Bill 57) enabling brew-on-premise regulations.	Process for licensing in place and functioning.

# Program Delivery

## Chair and Board

*The Alcohol, Gaming, and Charitable Funding Public Interest Act, 1996* (the "Act") constitutes the AGCO as a corporation without share capital. It provides that the AGCO shall have a Board of Directors of at least five (5) members appointed by the Lieutenant-Governor-in-Council.

The AGCO has a full-time Chair and Vice Chair, three (3) part-time Vice-Chairs and nine (9) part-time members.

The Board of Directors is responsible for strategic direction, accountability, and its duties under the Act. These include ensuring that the AGCO exercises its powers and duties in the public interest and in accordance with the principles of honesty and integrity and social responsibility.

The Board conducts required appeal and disciplinary hearings under the *Liquor Licence Act* and the *Gaming Control Act, 1992*. The Board also conducts public interest hearings to review applications for liquor licences where written objections to the issuance of a licence have been filed.

## Hearings Section

*The* Hearings Section is responsible for the administration and co-ordination of hearings before panels of the AGCO's Board of Directors. The primary responsibilities of the section include processing of requests for hearings; issuing the hearing notices and summonses; co-ordinating the assignment of Board panels and hearing locations; and distribution of written Board decisions.

GAME-RELATED HEARINGS			
	1998/99	1999/00	% Change
Request for Hearings	46	42	-9%
Hearings Held	12	37	208%
Request for Hearings Withdrawn	14	18	29%
Decisions Issued	7	21	200%

ALCOHOL-RELATED HEARINGS			
Hearings	1998/99	1999/00	% Change
Decisions Issued:			
Licences revoked	27	15	-44%
Licences suspended	257	211	-18%
Conditions Imposed	47	52	11%
Conditions Removed	2	2	0%
Licences Issued	47	1	-98%
Refused	20	17	-15%
Withdrawn	16	1	-94%
Other	47	43	-9%
<b>Total Number of Public Hearings</b>	<b>92</b>	<b>94</b>	<b>2%</b>

## Chief Executive Officer

The Chief Executive Officer ("CEO") provides leadership and direction to the organization through the Executive Committee. Under the overall direction of the Board, the Executive Committee shapes the values, principles and major operating policies that form the foundation of the AGCO, including formulating and implementing organizational strategies, and exercising strategic control.

## Communications, Corporate Issues & Information

This section provides strategic communication advice and services to the Commission, including management and co-ordination of corporate issues.

The primary responsibilities of this section include recommending and executing programs to manage stakeholder and media relations; providing internal employee and external stakeholder publications; building an understanding and acceptance of organizational objectives and policy and program priorities by maintaining regular communication with staff.

## Legal Services Branch

**T**he Legal Services Branch provides legal advice and opinions to the staff of the AGCO to assist them in carrying out their responsibilities.

The Branch provides a broad range of legal services, including drafting regulations and contracts, assisting in the development of policy, providing advice on corporate issues such as Freedom of Information, Ombudsman, etc. The Branch reviews Notices of Proposals and represents the Registrar and Deputy Registrar at Board hearings. Legal staff also conduct prosecutions under the *Gaming Control Act, 1992* and *Liquor Licence Act*, and conducts appeals to Divisional Court and Court of Appeal.

*Regulatory Approvals:* The Director of Legal Services liaises with casinos, charity casinos and slot machine facility operators on matters related to internal controls, and various approvals required under Regulation 385/99 of the *Gaming Control Act, 1992*. The regulations require internal control systems, and security and surveillance systems be approved by the Registrar of Alcohol and Gaming prior to a gaming facility opening to the public. Any amendments to such systems must also be approved.

Standards respecting internal controls, security and surveillance are intended to ensure that: assets are safeguarded; the potential for fraud and error is minimized; criminal acts are deterred and detected; and financial records are accurate, reliable and prepared on a timely basis. In the absence of comprehensive regulatory standards governing internal controls, security and surveillance, revenue streams from casinos, charity casinos and slot machine facilities may be jeopardized.

## Licensing & Registration Branch

**T**he Licensing and Registration Branch is responsible for gaming and alcohol licensing and registration functions, including policy development, research and liaison with AGCO's various liquor and gaming industry stakeholders, First Nation communities as well as local and internal agencies.

Branch staff review and grant applications for liquor licences, manufacturer's and sales representative's licences, and brew-on-premise facilities. In addition, the Branch is responsible for the administration of the Special Occasion Permit program, and pre-clearing all beverage alcohol advertising.

Branch staff also review and grant licences for lottery events under Order-in-Council 2688/93 and registrations for gaming suppliers and gaming employees under the *Gaming Control Act, 1992*.

# Investigation and Enforcement Bureau

The Investigation and Enforcement Bureau is comprised of seconded members of the Ontario Provincial Police and Liquor Inspectors designated as Provincial Offences Officers for the purposes of the *Liquor Licence Act* and the *Gaming Control Act, 1992*.

The Bureau provides strategic enforcement that is targeted, proactive, and designed for maximum impact. Emphasis is placed on deterrence as a component of prevention. This is intended to ensure that the gaming and alcohol industry is conducted honestly and free from criminal elements and activity.

OPP investigators conduct criminal investigations in relation to gaming at casinos, charity casinos, slot machine facilities, and licensed gaming events, including investigations into alleged breaches of the *Gaming Control Act* and regulations. OPP investigators conduct background investigations on individuals and companies seeking registration under the *Gaming Control Act*, liaise with other law enforcement agencies exchanging intelligence information; and provide specialized support to local law enforcement agencies for gaming-related investigations. OPP Investigators seconded to the AGCO have specialized training in the rules of play of games of chance and in how the games can be compromised. OPP investigators provide round-the-clock policing presence at commercial casinos and charity casinos.

The Bureau works independently as well as in partnership with police and local enforcement agencies in conducting *Liquor Licence Act* investigations at licensed premises. The Bureau monitors liquor licensed premises (and Special Occasion Permit events) for compliance with the *Liquor Licence Act*. It monitors individuals and organizations that manage, conduct or provide services to lottery schemes related to Break Open Tickets for compliance with the *Gaming Control Act*, and responds to, and investigates, complaints of breaches of either the *Gaming Control Act* and regulations, or the *Liquor Licence Act*.

## Corporate Services Branch

Corporate Services Branch provides strategic advice and key support services, including information technology, human resources, finance and administration, and business planning and revenue, to the Commission and its operating programs.

The Forensic Audit and Gaming Compliance section is part of Corporate Services and is responsible for ensuring the honesty and integrity of gaming operations within casinos, charity casinos and slot machine facilities. Auditors and compliance inspectors conduct scheduled and random audits for compliance with approved internal control policies, terms and conditions of registrations, and the *Gaming Control Act, 1992* and *Liquor Licence Act*.

# Electronic Gaming Branch

*The* Electronic Gaming Branch is responsible for ensuring slot machines are conducted and managed with honesty, integrity and in the public interest.

The Branch tests and approves all new electronic gaming equipment, conducts random and scheduled inspections of approved electronic gaming equipment, and verifies slot machines and associated software when jackpots of \$30,000 or more are paid.

Over 21,000 electronic gaming devices were tested/inspected this year without disrupting day-to-day casino operations or impeding revenue-generation. The purpose of this testing is to protect gaming consumers from defective or compromised equipment. Testing ensures that electronic gaming equipment is not susceptible to cheating and meets required standards of randomness, as well as software and hardware standards. Testing also ensures the accuracy of slot machine management information systems. The functioning of these systems is important in verifying that revenue is accurately recorded.

The Branch also approves and inspects any changes to slot machines and associated equipment (progressive links, etc.) prior to re-introducing for patron play. The Branch tests, approves and continuously reviews the computer systems linked to slot machines and other gaming-related systems such as Caribbean stud, progressive systems.

The Branch is also responsible for the development of electronic gaming regulations, standards and policies for the Province of Ontario.

## General Information:

- ◆ During the 1999 - 2000 fiscal year, the Alcohol and Gaming Commission's customer service desk in Toronto handled approximately 120,000 telephone inquiries related to gaming and alcohol; and
- ◆ During that same period, the AGCO received approximately 450 media inquiries regarding gaming and beverage alcohol issues.

# Gaming: Legal Framework

## Criminal Code of Canada

*The Criminal Code* (the "*Code*") establishes what types of gaming activities are legal, and the provinces are assigned responsibility for operating, licensing and regulating legal forms of gaming.

Part VII of the *Code* prohibits gaming in general, while Section 207 (1) allows for a number of exceptions to the general prohibition. Specifically, it permits "lottery schemes" provided that they are:

- ♦ "Conducted and managed" by the province in accordance with any law enacted by that province;
- ♦ "Conducted and managed" by a licensed charitable or religious organization, provided that the proceeds of the lottery scheme are used for a charitable or religious purpose; and
- ♦ "Conducted and managed" by a licensed board of a fair or exhibition or by an operator of a concession leased by that board.

All licences must be issued by the province, or someone with authority delegated by the province, such as a municipality.

"Lottery schemes" are defined under the *Code* but do not include:

- ♦ Three-card monte, punch board or coin table;
- ♦ Book-making, pool selling or the making or recording of bets; and
- ♦ Games operated through a computer, video device or slot machine, unless the lottery scheme is managed and conducted by the province. (Sec.207(4))

Only the government of a province can conduct and manage a lottery scheme involving dice, slots or computerized devices.



## Gaming Control Act, 1992

*Gaming Control Act, 1992* (formerly the *Gaming Services Act*), which was proclaimed in February of 1993, provides for the regulation of the gaming operations, suppliers and gaming assistants/employees of casinos, charity casinos, slot machine facilities and charitable gaming events.

## Order-in-Council 2688/93

Order-in-Council 2688/93 (the "OIC") provides that charitable organizations may be licensed by either the Registrar under the *Gaming Control Act* (the "Registrar") or, depending on the type of charitable gaming event and the value of prizes to be awarded, a municipal council, to conduct and manage gaming events. The OIC outlines terms and conditions that apply to lottery licences. The OIC also provides that the Registrar may attach additional terms and conditions to any licences he or she issues, and that municipal councils may attach terms and conditions to licences they issue.

In order to qualify for a lottery licence, the organization must have a "charitable object or purpose". Charitable object or purpose is defined at common law and under the OIC as any object or purpose relating to:

- ♦ The relief of poverty;
- ♦ The advancement of education;
- ♦ The advancement of religion; or
- ♦ Any other purpose beneficial to the community.

Ontario is one of the largest charitable gaming markets in North America. The AGCO estimates money spent annually by the public on charitable gaming province-wide at approximately \$1.86 billion. Licensed charitable gaming in Ontario benefits thousands of local community charitable organizations. The AGCO estimates that charitable organizations in Ontario raised approximately \$280 million by holding licensed gaming events.

1999 Estimate of Province-Wide Charitable Gaming Revenues			
	Gross Wager	Net Revenues	Charity Profit
Bingos	\$1,100,000,000	\$264,000,000	\$143,000,000
Break Open Tickets	604,000,000	199,000,000	79,000,000
Raffles	162,000,000	93,000,000	62,000,000
Social Gaming Events	— —	1,350,000	625,000
<b>TOTALS</b>	<b>\$1,866,000,000</b>	<b>\$557,350,000</b>	<b>\$284,625,000</b>



## Authority for Lottery Licensing

Municipalities are partners with the AGCO in issuing lottery licences. In fact, the vast majority of lottery licences are issued by over 600 municipalities in the province, primarily for bingo and break open ticket licences.

*The Order-In-Council provides municipalities with licensing authority:*

- ◆ bingos with prizes of up to \$5,500;
- ◆ media bingos with prizes up to \$5,500;
- ◆ break open tickets for local organizations;
- ◆ raffles up to \$50,000 in prizes; and
- ◆ bazaar lotteries which include: wheels of fortune with a maximum bet of \$2.00, raffles not exceeding \$500, and bingos up to \$500.

*The AGCO is the licensing authority for:*

- ◆ bingos over \$5,500 in prizes;
- ◆ super jackpot bingos;
- ◆ social gaming events (i.e., table game event held in conjunction with a social event);
- ◆ raffles over \$50,000;
- ◆ break open tickets sold in conjunction with other gaming events;
- ◆ break open tickets sold by organizations with a provincial mandate;
- ◆ fairs and exhibitions; and
- ◆ lotteries held in unorganized territories.

The AGCO assists municipalities in exercising their authority by establishing the terms and conditions for each type of licence, providing direction regarding determining eligibility of organizations for licensing, as well as providing assistance with compliance and enforcement. Compliance staff handle many inquiries from municipalities seeking guidance on the interpretation of licensing policies and terms and conditions. In addition, compliance staff are often invited by municipalities to deliver information and training sessions for licensing officers, charities and suppliers.

## First Nations Lottery Licensing

In November, 1998, the government approved a First Nations lottery licensing framework which delegates authority comparable to municipalities to individual First Nations. An Order-in-Council will be issued to each participating First Nation. The OIC will provide First Nations with authority to issue licences to religious and charitable organizations to conduct lottery schemes.

## Types of Gaming Registrations

### Charitable Gaming

**Bingo Caller** is an individual who is employed by a registered supplier and who, on behalf of the supplier, operates the equipment used for the random selection of numbers and calls the numbers at the playing of a lottery scheme for which a licence is required.

**Bingo Hall Owner or Operator** is a person who owns or operates a bingo hall which provides facilities, equipment callers, security, storage, event co-ordination or other related services with respect to the bingo hall.

**Bingo Paper or Break Open Ticket Manufacturer** is a person who manufactures for sale or distribution to another person bingo paper or break open tickets used in the playing of a lottery scheme for which a licence is required.

**Break Open Ticket Seller** is a person who sells break open tickets used in the playing of a lottery scheme for which a licence is required if the seller sells the tickets on behalf of a licensee at a premises other than the licensee's premises.

**Croupier** is an individual who is employed by a registered supplier and who, on behalf of the supplier, deals cards, supervises the playing of a lottery scheme for which a licence is required, operates wheels or otherwise facilitates the playing of the lottery scheme.

**Gaming Equipment Manufacturer** is a person who manufactures for sale or distribution to another person any device or thing used in the playing of a lottery scheme for which a licence is required, except bingo paper and break open tickets.

**Gaming Equipment Supplier** is a person who distributes, supplies, rents, leases or sells any device or thing used in the playing of a lottery scheme for which a licence is required, including bingo paper, break open tickets, gaming tables, wheels, chips, tokens or number verifiers, but does not include a gaming equipment manufacturer of bingo paper or break open ticket manufacturer.

**Gaming Premises Manager** is an individual who is employed by a registered supplier and who, on behalf of the supplier, manages premises kept for the playing of a lottery scheme for which a licence is required by supervising other registered gaming assistants or by managing facilities, equipment, security or other related services.

**Gaming Services Employee** is an individual who is employed by a registered supplier and who provides the supplier with administrative, management, consulting or sales services with respect to the organization of a lottery scheme for which a licence is required.

**Gaming Services Supplier** is a person who provides gaming services for a lottery scheme for which a licence is required, including arranging the scheme, providing management, administrative or consulting services, supplying the services of registered gaming assistants or providing other related services, but does not include a bingo hall owner or operator.

## Casino, Charity Casino and Slot Machine Facility Gaming

**Gaming Employee** is an individual who is employed in the operation of casino, charity casino or slot machine facility whose regular duties require access to any area of the premises used for gaming-related purposes. A gaming employee does not supervise other individuals, and in the opinion of the Registrar, does not affect the integrity of the operation of the gaming premises.

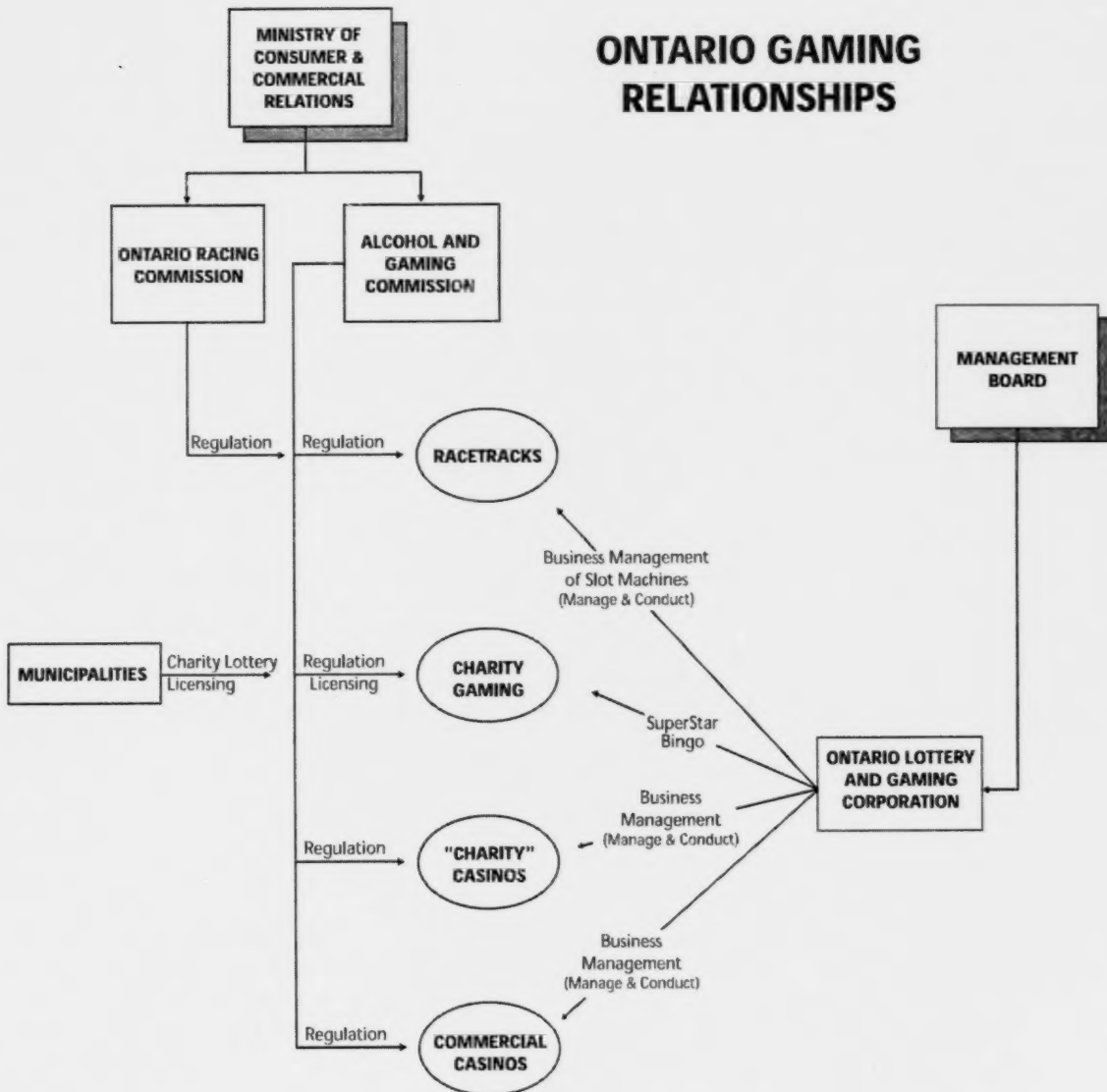
**Gaming Key Employee** is an individual who is employed in the operation of a gaming premises that is a casino, charity casino or slot machine facility and who (a) exercises significant decision-making authority with respect to the operation of the gaming premises; (b) is the head of a department that is responsible for human resources, accounting, audit, purchasing or compliance with respect to the gaming premises; (c) in the opinion of the Registrar, supervises gaming employees employed in the operation of the gaming premises; or (d) under contract with the Ontario Lottery and Gaming Corporation or the operator of the gaming premises, provides training to individuals in gaming, dealing, equipment installation, maintenance or repairs or any other gaming-related aspect of the premises.

**Gaming-Related Supplier** is a person (individual, corporation, organization, association or partnership), other than the Ontario Lottery and Gaming Corporation, who, (a) manufactures, provides, installs, maintains or repairs gaming equipment or provides gaming services that, (i) could influence the outcome of a game of chance that is held in a casino, charity casino or slot machine facility, or (ii) is integral to the conduct, management or operation of a game of chance described in sub clause (i); (b) provides, installs, maintains or repairs a surveillance system for a casino, charity casino, or slot machine facility; (c) manufactures, provides, installs, maintains, repairs or operates a gaming management system; (d) operates a casino, charity casino, or slot machine facility, or (e) is under contract with the Ontario Lottery and Gaming Corporation or the operator of a gaming premises that is a casino, charity casino, or slot machine facility, provides training to individuals in gaming, dealing, equipment installation, maintenance or repairs or any other gaming-related aspect of the gaming premises, but is not a registered gaming key employee.

**Non-Gaming-Related Supplier** is a person who provides goods or services that relate to the construction, furnishing, repair, maintenance or business of a casino, charity casino, or slot machine facility, but that are not directly related to the playing of games of chance, and includes a landlord of premises used for gaming-related purposes.

**Trade Union** is a trade union within the meaning of the *Labour Relations Act, 1995* that represents persons employed in a gaming premise.

## ONTARIO GAMING RELATIONSHIPS



**Note:** In Ontario, the Alcohol and Gaming Commission is responsible for the regulation of casinos, charity casinos and slot machine facilities (i.e., slot operations at racetracks) and the Ontario Lottery and Gaming Corporation is responsible for the management and conduct of the gaming operations.

Municipalities are partners with the AGCO in issuing lottery licences - the majority of lottery licences are issued by municipalities in the province - primarily to religious and charitable organizations for bingo and break open ticket licences.

# Alcohol: Legal Framework

## Liquor Licence Act

*The Liquor Licence Act* establishes the licensing and regulating regime for the sale or offering for sale of beverage alcohol in Ontario (except for retail sale by the Liquor Control Board of Ontario for home consumption).

The *Liquor Licence Act* establishes various classes of licence such as,

- ✧ licence to sell beverage alcohol;
- ✧ licence brew on premise facilities;
- ✧ manufacturer's licence;
- ✧ licence to represent a manufacturer of beverage alcohol; and
- ✧ permits for the sale of beverage alcohol on special occasions called Special Occasion Permits (SOPs). For example, cash bars at fundraising events, weddings, and receptions.



The *Liquor Licence Act* also establishes the basic rules for sale and service of beverage alcohol;

- ✧ no sale or service to persons under the age of 19;
- ✧ no sale or service to persons who appear to be intoxicated;
- ✧ no sale of beverage alcohol before 11:00 a.m. or after 2:00 a.m. (unless otherwise stipulated);
- ✧ no sale of illegal alcohol beverages; and
- ✧ where beverage alcohol may be consumed (residence, licensed premises, private place).

The *Liquor Licence Act* and regulations provides for an inspection and enforcement regime to ensure that licensees and permit holders are in compliance with the law and regulations relating to the sale and service of beverage alcohol.

The Regulations under the *Liquor Licence Act* also allow for the review and pre-approval of all advertising for beverage alcohol.

## Types of Liquor Licences

**"Liquor Sales Licence"** for on-premise sale, service and consumption of beverage alcohol (e.g., at bars, restaurants).

**"Endorsements"**: The AGCO issues six (6) types of endorsements that allow liquor sales licensees to sell and serve beverage alcohol under specific circumstances and conditions. Endorsements are additions to the liquor sales licence. Licensees may hold more than one endorsement but endorsements are only valid when combined with a sales licence. The endorsement types are as follows:

- ❖ A *brew pub endorsement* permits the sale and service of beer manufactured by the licensee on the licensed premises, for consumption on the premises to which the licence applies.
- ❖ A *catering endorsement* permits the sale and service of beverage alcohol to an event that is in an unlicensed area other than a licensed establishment. The catered event must be sponsored by someone other than the licence-holder, must have light meal available, and the event cannot be more than ten (10) days.
- ❖ A *golf course endorsement* permits the sale and service of beverage alcohol to golfers for consumption on the playing area of the golf course. Alcoholic beverages may be served from mobile vending carts that must be operated by an employee who is 18 years of age or over. Non-alcoholic beverages must also be available.
- ❖ A *mini-bar endorsement* permits the sale of beverage alcohol from a mini-bar dispenser in a room rented by guests in a hotel or motel located adjacent to the licensed premises.
- ❖ A *room service endorsement* permits the sale and service of beverage alcohol to persons registered as guests in a facility that rents overnight accommodation such as a hotel or motel provided the facility is located adjacent to the licensed establishment.
- ❖ *Wine Pub Endorsement* permits the sale and service of wine manufactured by the licensee on the licensed premises for sale and consumption to patrons on the licensed premises.

**"Brew on Premise Facility Licence"** permits a holder of a licence to operate a brew on premise facility (i.e., a facility where equipment for the making of beer or wine on the premises is available for individuals).

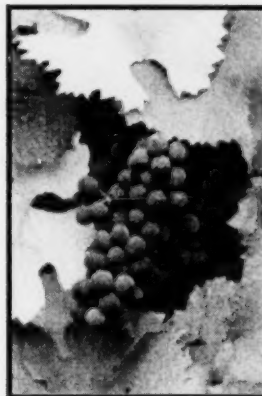
**"Licence to Represent a Manufacturer"** allows for agent representatives for non-domestic manufacturers, and those under contract with domestic manufacturers, to take, canvass for, receive or solicit orders for beverage alcohol.

**"Manufacturers' Licence"** gives authority to a manufacturer to sell its wine, beer or spirits to the Liquor Control Board of Ontario.

**"Special Occasion Permits"** intended for the sale and service of beverage alcohol at special occasions such as weddings, charity fundraisers, receptions etc. Special Occasion Permits are issued through select Liquor Control Board of Ontario stores throughout the province.

## Wine Content Act

*The Wine Content Act* specifies that an Ontario winery can manufacture and sell wine in the province using imported grape or grape products so long as it purchases its yearly quota of Ontario grapes. The Wine Council of Ontario is designated by regulation as the body to determine the quota of Ontario grapes and of what type to be purchased by Ontario wineries. The annual quota of Ontario grapes is set at 25,000 tons. If an Ontario winery chooses to use imported grapes or grape products in manufacturing its wine, the content of each brand of wine manufactured by the winery must be no less than 25% Ontario grapes or grape product. The regulations also stipulate the need for wineries using imported grapes or grape products in their wines to supply the Liquor Control Board of Ontario a copy of each order, bills of lading and, upon request, samples of any imported grapes as well as to demonstrate proof on request of the purchase of their Ontario grape quota.





## Financial Performance

The AGCO remits all revenues collected to the government's consolidated revenue account and operates within a separate budget allocation contained in the Ministry of Consumer and Commercial Relations printed estimates.

In the fiscal year ending March 31, 2000, the AGCO managed all operating expenditures within its budget allocation.

1999/2000 FISCAL YEAR: REVENUES AND EXPENDITURES		
	Fiscal Year Apr 1/98 to Mar 31/99	Fiscal Year Apr 1/99 to Mar 31/00
<b>REVENUES</b>		
Fees & Levies	\$578,963,333	\$587,326,625
<b>TOTAL</b>	<b>\$578,963,333</b>	<b>\$587,326,625</b>
<b>EXPENDITURES</b>		
Salaries and Benefits	\$22,066,580	\$27,382,410
Other Direct Operating Expenses	\$12,328,329	\$10,739,140
Less Recoveries	(\$1,651,961)	(\$1,675,515)
<b>TOTAL</b>	<b>\$32,742,948</b>	<b>\$36,446,035</b>

## Audit

The Alcohol and Gaming Commission of Ontario (AGCO) is subject to Ministry of Consumer and Commercial review and audit. In addition, the AGCO is subject to Provincial Audit as well as the Minister may direct that the AGCO be audited regardless of any audits which have taken place.